Capital Markets Day – OMV Strategy 2030
Q&A Transcript March 16, 2022

OMV Aktiengesellschaft

OMV held its virtual Capital Markets Day on March 16, 2022. The event was broadcast as a live audio–webcast at 2:00 PM CET. Below is the transcript of the question-and-answer session, by topic, edited for clarity.

OMV Group

Russia

Question by **Mehdi Ennebati – Bank of America**:
So, you recently said Russia is not core anymore. But did you talk with Gazprom? Did you talk to Gazprom about the cash that you would receive from Yuzhno Russkoye if operations continue at Yuzhno Russkoye. Does Gazprom intend to pay you? In which currency will they pay you? And is it easy for them to pay you given that some Russian banks are not part of the SWIFT network anymore.

Answer by **Alfred Stern**:
On Russia, it's indeed correct what we announced is that Russia is no longer a core region for us, that means we will not pursue any further investments and that we are actually looking at all options concerning our 24.99% share interest in Yuzhno Russkoye and that can go as far as options to exit or divest. Now the situation is, of course, such that there is a very dynamic situation in terms of legislation also from the Russian side that is constraining some dividend payments at this moment. We would have about EUR 200 mn of cash that is trapped in Russia from this. How this will go further exactly we don't know at this point.

Question by **James Hubbard – Deutsche Bank**:
Russia is tiny in your overall value and cash flow picture, why not just walk away as some others have done?

Answer by **Alfred Stern**:
I think the answer is relatively straightforward. There is actually no way to just walk away from this at this moment. There is legislation around, there's presidential decrees and so on. And what we have done therefore is we have said we will take the necessary value adjustments and then we will study options, how we can actually either exit, divest or how we can continue properly. There is no such way that you can just walk away.

Question by **Bertrand Hodee – Kepler Cheuvreux**:
On Russia, what was the contribution of the JV trading arm with Gazprom in 2021? And is this entity still contributing right now and what is the contribution you have assumed from this entity in both 2025 and 2030?

Answer by **Reinhard Florey**:
Bertrand, on the Russian situation, what we're seeing is that the contribution of the Yuzhno Russkoye JV in 2021 is comparable to some of the previous years, because there has not been too much of a volatility maybe with the exception of the year 2020, when we had very low BAFA prices. The contribution has been between USD 150 mn and USD 200 mn. Now we are seeing in the year 2022 that there has been a higher contribution there so far. As Alfred has mentioned, there is some EUR 200 mn now for the first quarter that we see currently as trapped cash, let's see how this is developing. But it seems that in 2022, the contribution of course with the spike in gas prices here will be higher than in the previous year.

Question by **Raphael Dubois – Societe Generale**:
Just very quickly, so EUR 200 mn that is trapped in Russia, can you confirm that this is equivalent to what you should have received for Q1/2022? And if that is a case, should we compare it with USD 200 mn that at the time of the acquisition you guided as an annual dividend, i.e. the cash generation is running four times higher than what was the case at the time of the acquisition?

Answer by **Reinhard Florey**:
This is exactly the right understanding. In fact, why I was saying it is trapped cash or it seems to be, because dividends normally are paid in August. So, this is an anticipation, and I'm just giving you the number for Q1. And if you would just do the multiply by 4 math,

then you would be right, then it would be four times as we had originally anticipated at the time of the acquisition. However, I'm very cautious to predict how the coming three quarters really look like. So therefore, I think to give a prediction for the full year is a little bit premature, but I can confirm the EUR 200 mn for the first quarter and the trapped cash is an assumed situation, there is not even a trigger that we would be eligible to get it now. It would be due anyway only in August. So therefore, this is more a deed of caution if we say this is trapped, because we are looking at all the legislation, we are looking at sanctions, we are looking at bank restrictions, and therefore, we assume that there could be a possibility that for a certain period of time that cash, it's not directly available. On the other hand, it's not disappearing. So that is also not the case.

Dividend policy

Question by **Mehdi Ennebati – Bank of America**:
On the shareholder remuneration let me put things into context. So, if I look at the previous year, you generally distributed on average 10% of your CFFO to OMV shareholders. It is roughly 10 percentage points below your peers in Europe. So, I fully understand that you don't want to be committed to a dividend framework for the next five years, but do you intend to close the gap with your peers? Meaning that you would intend to distribute roughly 20% of your CFFO in a five-year time frame, for example. This won't be a commitment in terms of absolute dividend payments. But at least, it could show your investors that you are trying to catch up with your peers because the gap has been increasing quite significantly between your shareholder remuneration yield and the one proposed by your peers. So, I would like to hear what you have to say about that.

Answer by **Reinhard Florey**:
I think regarding the shareholder return, it is important to say that we are not limiting ourselves. I think this should be the clear message. You have seen that we have raised the dividend for 2021 from a level of EUR 1.85 to EUR 2.30. So this means this is the highest increment ever that we have done of course also in response to a very good year 2021. So this means we are still recognizing exactly the fact that you have that there are some different policies or some different behaviors in dividends with some of our peers. On the other hand, I think the promise that we are giving is one of the most predictable and reliable in this industry. And therefore, I think you can count on the fact that we will continue with increasing this dividend and this may lead to closing the gap or even overachieving that. We don't want to limit ourselves to that. And I think it is important to understand that we are proposing here a transformational strategy and this transformational strategy will not impact that we are still adhering really committed to our dividend strategy. And I think this is the main important message here.

Question by **Mehdi Ennebati – Bank of America**:
Do you want to pay a competitive dividend? Do you want to have a competitive dividend or shareholder remuneration with your peers or not?

Answer by **Reinhard Florey**:
We want to be one of the most competitive companies as such, and therefore, also let our shareholders contribute on that. I think there is no absolute comparison that we will undergo in that respect. And of course, we will see in the dialogue with all our shareholders what is the most important thing to do. Yes of course, we want to be competitive and of course we want to be one of the best recognized companies, but this is also in the way how we develop our strategy, how we develop our carbon footprint. This is very much important, and I know that this is also appreciated by the shareholders.

Question by **Joshua Stone - Barclays**:
Coming back to the dividend policy. You made a reference in the press release that the decision to leave it unchanged in part reflected the war in Ukraine. So, does that mean you were maybe considering changing your policy if Russia didn't invade Ukraine? And what would it have gone to if not? And related to that, given the size of the potential dividend now, might you consider moving that to an interim dividend at some point?

Answer by **Reinhard Florey**:
First of all, let's not speculate, the Ukrainian situation is a reality. And if we are coming up with a strategy, that should also be based on the current realities that we have. However, when it comes to extraordinary dividend payments, we have not and never excluded anything, and we have not and never promised anything. So that means that we stick to what we say, and we mean that very seriously, but that does not mean that things cannot change at some point of time.

The only thing that I have to put as a caveat is that share buyback programs are difficult for OMV simply because of the situation with the Austrian legislation and the shareholding that our friends from Mubadala have with us which is already at the threshold of what is possible in Austria. Therefore, any kind of share buyback program would be a problem.

Question by **Joshua Stone - Barclays**:
Just on the idea that maybe you could look at doing an intern dividend, whether that would be something possible in the future?

Answer by **Reinhard Florey**:
As I have said, we have not excluded anything and we have not promised anything.

Question by **Henri Patricot – UBS**:
Following up again on the dividend. You have a slide showing the 15% CAGR over the last few years. Is this a good indication of what we can expect in the next few years? Or could it be faster in this favorable macro environment and given that you have quite a few growth projects starting up quite soon?

Answer by **Reinhard Florey**:
Of course, you can take that as an indication, but this is not a limit. We are not limiting ourselves. And I think this is important. So we have always used, I would say, term of progressive dividend as the opportunity also to adjust when we have a possibility to deliver more and to adjust when there is a situation where the circumstances are being difficult. But we have never reduced the dividend and I think this is important and this is not true for many of our peers. So therefore, I think this is reliable, this is trustful and therefore no limits from our side. But if you want to take it as an indication, I would not contradict it.

M&A

Question by **Sasikanth Chilukuru – Morgan Stanley**:
You have provided a very detailed list of strategic and financial criteria for any potential acquisitions. Taking this into account, would it be fair if I were to think that this eliminates the possibility of OMV acquiring the remaining 25% stake in Borealis?

Answer by **Alfred Stern**:
On your acquisition targets, you are absolutely correct, we have put a good Capex framework into place with the right criteria and everything. What I've also shown there is that we have a significant organic growth program ahead of us in Chemicals & Materials. Some of it is coming to an end this year. But looking further out, we are also considering inorganic options. So it's including both organic and inorganic options to further grow our business and to accelerate the transformation to become a sustainable fuels, chemicals and materials company.

We're in a good position that we are not in a hurry, we don't have to do something, but of course, we will remain open to any kind of value accretive opportunities that we will find.

Answer by **Reinhard Florey**:
Alfred, maybe just to add to that. To be very clear, there is nothing to talk about at the moment about this 25% stake in Borealis. However, it is important that we see that the interpretation of our criteria is right. It is about being accretive on an earnings per share basis, it is about the results after minorities, and therefore, there is no doubt that such a step also could be accretive. So, this fact that we are fully consolidating does not at all exclude that this could be an accretive step.

Question by **Peter Low – Redburn**:
A very quick clarification, you've talked a bit about inorganic growth. Can I just confirm, are financial targets for 2030 based on organic investment only? Or is there something in there assumed for acquisitions?

Answer by **Reinhard Florey**:
In 2030, if you look at the results and the cash flow of course, there is the possibility of inorganic growth to a certain degree in there. However, we cannot give you an exact number of what we plan and when we plan that. Because as I explained in my presentation, we see the inorganic as an add-on that is opportunistic and we do not want to commit ourselves to a certain year or a certain region or something like that, because we feel that there are plenty of opportunities out there in the market. So, I have to say there is a little bit of an anticipation that there will be some inorganic growth over that time in the numbers of 2030 in there. However, this is not something where we have done a specific analysis to say, okay, we will do it exactly that way, because that would then imply business to say, we have certain targets that we need to achieve. No, we want really to make sure that inorganic growth always takes the best of what we can get at a certain point of time.

Question by **Mehdi Ennebati – Bank of America**:
On Borealis, the 25% that you don't control, that you do not own. You said several times that Borealis is a highly profitable investment, highly profitable company. I understand that you want to keep growing inorganically, but would you say that in the current environment, it would be a relatively challenging outlook to find an investment as profitable as purchasing the remaining 25% of Borealis?

Answer by **Alfred Stern**:
On the Borealis acquisition, you are of course correct. We could see that when we bought the 39% stake, we said this was a very attractive acquisition and we were able then in 2021, which was the first year of full consolidation, to deliver excellent results on the back of a strong market. Then the next question, of course, becomes how to further proceed. And maybe one of the other things that I should mention in this Borealis context, if you remember initially we said that the Borealis acquisition will deliver synergies of about EUR 700 mn. Relatively quickly after the closing happened, we were able to identify another EUR 100 mn in synergies. And actually, after 2021 now we have found that we can exceed that. So, we will be north of the EUR 800 mn synergies over the first five years. So yes, it's a profitable company with good growth prospects and good synergy aspects. How that relates to other acquisition projects, I don't want to speculate on, because each one is different than the other. And at this point, we don't have anything to comment on there in what it compares to some other acquisition targets.

Question by **Matthew Lofting – JPMorgan**:
First I just want to follow up on the last point that you were just discussing on effectively further exploring the role of M&A in your strategy. I mean clearly you're embedding it into the certain strategic view for the decade, particularly through diversifying and growing the chemicals business. Can you clarify, firstly, both from the perspective of the 2025 targets you are presenting as well as 2030 the extent to which you're embedding a contribution for inorganics into those cash flow and EPS numbers that you are presenting?

Answer by **Alfred Stern**:
About the role of M&A in the chemical and materials growth strategy. What we are planning to do the areas in chemicals and materials to have both growth through organic projects as I've outlined for example, the Baystar project, the Borouge 4 project, the PDH

project in Belgium and to try and accelerate at the same time the move with opportunistic M&A where this makes sense, where we can either accelerate our transformation or where we can broaden our product portfolio.

As Reinhard was pointing out, we have not set ourself firm time targets when we want to do those, but rather want to go about this in when the right opportunities come available and when we can make those happen.

Capital allocation

Question by **Matthew Lofting – JPMorgan**:
And then secondly, how effectively the ammunition for M&A prospectively over the coming years influences from a capital allocation perspective the thinking around the dividend, and to the extent that potentially plays a bigger role, than the uncertainty around Russia at this point.

Answer by **Alfred Stern**:
Regarding the dividend policy and the influence on this, I would like to just remind on our capital allocation framework where we are saying, first, we will invest into our running operations to make sure they are safe and reliable. And the second priority is returning value to the shareholders in form of a progressive dividend policy. And only as number three, we are putting the inorganic growth. And as number four, we put deleveraging as the capital allocation priorities.

Answer by **Reinhard Florey**:
Matthew, you have concretely asked, what would that mean for year 2025. I just tried to give you that example in the sources and uses analysis. If you take a midpoint year with say EUR 6 bn of operating cash flow, and you have EUR 3.5 bn of organic investments, and say EUR 1 bn of base dividend where we say we don't go below that - that would be today's level. Then there is EUR 1.5 bn left. This is the headroom. And in addition, today we already have a headroom, because we are only at 21% of the leverage ratio where we again, say that we want to stay below 30%. That means, as Alfred has pointed out, priority number two, before we even talk about inorganic growth is the dividend.

So that is the first thought that we will have. And if there is an opportunity, then the headroom allows us to act, and that might be bigger of what's left and then there will be the leverage for a certain period higher. But then deleveraging kicks in as a higher priority than for inorganic growth. So that's how we think. But be assured there is headroom in what we think is midpoint of the cycle, midpoint of the period and it's quite significant. So, in both directions, there is room to maneuver in the dividend as well as in inorganic growth.

Low carbon business investment

Question by **Tamas Pletser – Erste Bank**:
My question would be about your low carbon business investment. How do you prioritize this investment? So basically, if you have an investment which has a low return, but would help you to meet your Scope 1, 2, 3 targets, what would be the priority to do this investment?

Answer by **Reinhard Florey**:
First of all, our targets regarding CO2 emission reduction are not negotiable. So, we will do the projects that get us there and this has a clear priority as such. However, we don't just do whatever we can think of. There has to be a financial return to that. And in the framework that we have presented today, what it states is that it might not have the ultimate hurdle rate, it at least has to meet the WACC, the weighted average cost of capital, in the specific country where we are for the specific sector. And this is our minimum requirement in terms of financials. And on the other hand, we have given a little bit of a leeway regarding the payback period, because we know we cannot buy existing businesses like that. We have to grow them; we have to scale them up. So therefore, this is at the level of below 20 years of a payback period. But this capital allocation framework exists and this is how we will prioritize. But then Martijn, maybe you would like to give some concrete examples, what is being done.

Answer by **Martijn van Koten**:
Yes. I would love to, because I think on the sustainable chemicals and fuels, it has a little mechanical recycling, chemical recycling, but also the renewable base chemicals like Alfred said and renewable fuels. It's important to understand that we are looking at that as an attractive opportunity for specialty products. These are very high-quality chemicals or polyolefins, but then with a label of chemical recycling or kind of renewable. And the same for fuels, drop in solutions, but renewable, which is really what customers are looking for.

And the interesting thing is in the CEE region, where we are playing, we also have opportunities, because we have many industrial sites to make small investment steps. So, we don't have to do this journey to 1.5 mn t, renewable fuels and feedstock in one big goal, but you can tailor there in a number of attractive investments.

We are doing now the investment for instance in Schwechat for the co-processing plant. That project met our strict hurdle rate and the economics have even improved, because of the legislative environment and the need to decarbonize. It has become a very attractive investment opportunity. We've also just recently launched together with our customers in Austria, even though its only very small quantities, sustainable aviation fuel. You can also see there that this is a premium product until it also becomes a legislative must and then we see also very good margin constellations arising around that. So that's kind of important to understand that in these low carbon segments, we think there are attractive investments to be made.

Question by **Friedrich Mostböck – Erste Bank**:
Congratulations, your further transformation strategy of the portfolio to Chemicals, Refining & Marketing and E&P makes sense. Can you also imagine investing in other alternative energy classes to improve further your ESG-rating and -perception?

Answer by **Alfred Stern**:
First of all, thank you very much. It is always nice to get some positive feedback. So, thank you for that. And it's really been quite a significant effort of a significant amount of people to come up with that strategy as you may imagine. To agree on something like this, looks easier once you have distilled it to a small number of charts. So, thank you for that.

Investing in other alternative energy classes. What we have currently in our portfolio is that we will invest into geothermal energy, into carbon capture and storage. And then we will also invest into renewable energy such as photovoltaic and wind, in particular in OMV Petrom. Because we see the conditions there better, but also, we have an interesting combination with our combined cycle power plant there in order to mitigate for intermittent sources but also changing demand over time.

The investment in renewable energies is mainly for the purpose of supplying the internal need of electricity and to reduce our Scope 2 emissions. We have not identified other interesting opportunities at this point, but the ones that I talked about are in the strategy at this moment. What we also said is that we want to further explore our involvement in hydrogen and to look into the potential of energy storage, if any of the E&P assets can be used for energy storage in that context.

Market assumptions and sensitivities

Question by **Henry Tarr – Berenberg**:
And then secondly, to get to the EUR 6 bn EBIT figure for 2030, I may have missed it, apologies, but what would be the underlying assumptions on chemicals margins, commodity prices etc. to get to that baseline?

Answer by **Reinhard Florey**:
There is an appendix to my presentation, but I can easily give you the numbers. We have an assumption of a Brent oil price in 2030 of USD 70/bbl; in 2025, it would be USD 65/bbl. That is, from our point of view, a realistic situation of course. You can, from today's point of view, see that as a little bit conservative, but this is the underlying Brent price. In terms of the European Hub gas prices in 2030, we have EUR 24/MWh in there, we have a refining indicator margin of USD 4.3/bbl and we have polyethylene, polypropylene indicator margins in Europe of around EUR 480/t, ethylene margins are around EUR 500/t.

Question by **Peter Low – Redburn**:
I guess the first one is perhaps slightly a follow-up on an that assumption question from Henry. The 2030 targets for EBIT and cash flow are at the same level as what you just reported in 2021 despite increasing Capex over the next decade. I think you've suggested this is because 2021 was a particularly strong year. Can you perhaps comment which areas you think were particularly strong last year and were you assuming margins or prices are normalized at lower levels in the coming years and across the plan period?

Answer by **Reinhard Florey**:
If you take the cash flows, the comparison to 2021 of course, comes with quite a different economic environment to what we see as a mid of the cycle environment for 2030. So, where we think 2021 was particularly strong of course, was in polyolefin margins which were clearly above what we have assumed now for 2030. We also had a very strong retail business. We also had a strong energy business specifically in our operations in Romania due to the specific local situation, but also due to the increasing energy prices at that point of time. And then of course, in the latter half of 2021 we had increasing commodity prices which then in total had of course, also an impact on quite good over-the-year tax rate and this is also what we have to compare.

Question by **Bertrand Hodee – Kepler Cheuvreux**:
It's a bit difficult to compare what you are targeting in 2025 in terms of EBIT and cash flow or for 2030. Have you made the exercise of normalizing 2021 EBIT or 2021 cash flow with your underlying macro assumption you are using either for 2025 and 2030, so we can make an apple to apple comparison?

Answer by **Reinhard Florey**:
I think the years 2021 and 2022, 2025, 2030 are not directly comparable and therefore the apple-to-apple comparison is difficult because of course, we are changing the portfolio. We are changing the portfolio on the one hand side in having this underweighting of the upstream side with the reduction from close to 500 kboe/d back to below 400 kboe/d and then on the other hand, new businesses coming in. And therefore, if you would see a like-for-like comparison, then you would see it quite according to the sensitivities that we have given, when it comes to the assumptions on the one hand side and the EBIT and cash flow sensitivities that we have given there. The real increase comes actually from the fact that we grow the chemical sector, and the chemical sector keeps, although maybe not as high as in 2021, still a good profitability and a good margin situation in the average over this period. And therefore, the growth of that segment is the biggest driver that we can, on the one hand side, replace profitability that has come from E&P in the past, and on the other hand, contribute to the increased level of profitability that we have.

Question by **Bertrand Hodee – Kepler Cheuvreux**:
I wanted to make sure your 2025 and 2030 Brent oil price assumptions of 65 USD/bbl in 2025 rising to 70 USD/bbl in 2030, those are nominal assumptions?

Answer by **Reinhard Florey**:
We actually see these as real prices. There is a certain assumption until 2025. So, this goes to the 65 USD/bbl and then we keep it flat, but we have a certain inflation included on that, and that brings it over the five years to the 70 USD/bbl that we have in 2030.

Exploration & Production

Production outlook

Question by **Raphael Dubois – Societe Generale**:
My question is about the oil and gas upstream path to 2050. You specifically mentioned getting to zero for energy use. So, can you say what will still exist in terms of oil and gas production at OMV in 2050? What sort of production I mean?

Answer by **Alfred Stern**:
Let me maybe try and answer your oil and gas question, up until 2050. So, what we are planning to do is by 2050, we want to be a Net Zero company. And we do understand that burning fossil fuels and fossil energy sources is not compatible with being a Net Zero company. However, it could be possible that oil is still a valuable resource in other products such as chemicals or plastics or other things. 2050 of course is a long way out and many things can develop. But what we are saying here in the strategy, we will no longer produce oil and gas that would go into energy use so that will be burnt into CO2. But we do not exclude at this point yet maybe a production for other use for permanent use like in chemicals or in materials.

Question by **Mehdi Ennebati – Bank of America**:
On the upstream, on your 2025 production target of 450 kboe/d, this is roughly 40 kboe/d lower than the 2021 level. So which country will be the main contributor to the production decrease? Can you tell us a little bit about that? Is it only from Petrom, from Romania, or maybe there is another country which will suffer from a relatively high decline rate in the next three to four years? And what production level from Russia did you take into account in your 450 kboe/d?

Answer by **Johann Pleininger**:
Regarding 2025 production, the main decline is coming from three countries, which is Petrom, so Romania, Norway and Russia, and this would lead then in total to 450 kboe/d. And your second question was what is the production level of Russia in 2025? It's 80 kboe/d compared to close to 100 kboe/d today.

Low carbon business

Question by **Raphael Dubois – Societe Generale**:
On the transformation of the E&P business, geothermal, CCS. Geothermal comes totally out of the blue at least for me. Can you maybe try and be a bit more specific where exactly you want to implement this capacity, 9 TWh is huge in the scale of geothermal? And how is the business going to be generating earnings for you? Is this dependent on subsidies? Do you think you can think you can get guaranteed prices for the TWh? That would be great if you could give us some explanations? Around CCS, where exactly should we expect you to build those businesses? Because I thought it was not permitted in Austria to build CCS. So, it would be great if you could give us a bit more insights.

Answer by **Alfred Stern**:
You are absolutely correct, CCS is not an option in Austria, but of course, we are not there. We are an Austrian company, but we are not confined in our operations to the total of Austria.

Answer by **Johann Pleininger**:
I would like to refer to your first question on geothermal. We have been looking into the topic for quite a while. We have set up a dedicated team. We are looking into it especially in Austria, but also in Europe and on a global base. We have one concrete project already in the pipeline. But it's too early to announce what it is because we have agreed on confidentiality with our partner.

Just to give you a feeling about the size that we are talking about. We are talking about geothermal projects in the size which could deliver 1-2 TWh a year, that we are targeting after full implementation. And we are targeting 8-9 TWh. If we can manage a couple of these kind of projects, then we would be there already until 2030.

What you can expect is that we need to invest in the upcoming years and operating cash flow would rather come at the end of the decade. Regarding, CCS, it's similar. Also here we have looked into it in several regions, several countries especially in Norway, in Romania, but also in Southeast Asia. Also here, a dedicated team is working on it. We're looking for these opportunities, because it's close to our business where we can use our subsurface experience, but also, maybe our depleted reservoir in the one or the other area. But it's still too early to announce a concrete project here. But it's the same regarding earnings, operating cash flow. You can also rather expect that at the end of the decade because investments have to come first.

Yuzhno Russkoye

Question by **Henri Patricot – UBS**:
Around Yuzhno Russkoye and your E&P production target that still includes this project in there. So, what would happen if you were to sell, exit Russia and this asset, would you just lose the 80 kboe/d in 2025 or would you look to replace that production should you exit?

Answer by **Johann Pleininger**:
Yuzhno Russkoye is currently producing around 100 kboe/d. In 2025, we expect 80 kboe/d and then until 2030, 40kboe/d. The forcast Alfred has given in his slides which is saying production from the current level would be reduced until 2025 to 450 kboe/d and to below 400 kboe/d until 2030, does not include any exit from Yuzhno Russkoye. So, for the time being, we have no concrete plan to replace if we will exit or if we could exit Yuzhno. So there are no concrete plans so far.

Neptun Deep
Question by **Henry Tarr – Berenberg**:
On Neptun Deep. What's the likely timing here? I know you're perhaps reliant on other regulations. But how do you see that playing out? And is there potential for that to be disrupted with what's currently going on in the Ukraine as well.

Answer by **Alfred Stern**:
On the Neptun Deep project we currently believe that next year in 2023, we can take the FID and then it will take about four years before we can bring it into production. This FID is dependent on two things. First on Romgaz concluding their deal with ExxonMobil, and the second piece in Romania, the offshore law being approved by the government there. So, these two things need to happen. Neither of them are in our control, but we believe that the time plan should be possible to get to a FID by 2023. On the disruption potential, I don't want to speculate on that. I just want to maybe offer you an alternative perspective to that, because Neptun Deep of course is also a fantastic opportunity for Romania and parts of Europe to become more independent of gas imports. And based on that, the interest could also have gone up just recently. But we don't have any information that I could give you, everything else would-be speculation.

Refining & Marketing

Refining throughput
Question by **Joshua Stone - Barclays**:
The refining throughput reduction is quite a notable change in strategy. I noticed that you're not guiding to lower capacity at Petrobrazi refinery. So, what's the plan for data sets? And where does ADNOC refining sit within that strategy?

Answer by **Martijn van Koten**:
So for Schwechat and Burghausen refineries, these are integrated with petrochemicals. So we really optimize those with an integrated LP looking at all the fuel products and also the petrochemical products. We see there very good competitiveness and margins, also out later this decade, but we do expect that the overall demand for diesel and gasoline will just follow the trend that it has been following for the last 10 years. So, it will continue to decline and we'll be using that opportunity also then to more and more channel to chemicals, and that's where you see the percentage chemicals output increasing. We also plan to capitalize on the circular feedstock opportunities that we see and on the renewable feedstock opportunities. And like Alfred just explained, we see actually very good pockets of premiums being paid both on fuels as well as on chemicals. So that's for those two refineries the strategy. And that will then result in this increase in renewable products and decrease in crude throughput. Of course, that also really helps with the Scope 3 emissions.

And then for Petrobrazi, it's a different story there. We see very healthy demand growth still in those OMV Petrom markets. And therefore, that refinery is projected to be running full, and you can see that in the chart as well. That doesn't mean that there's not a contribution there also for the renewable feedstock and fuel strategy. Partly we think there will be an emerging market for those products, and we'll leverage further the opportunity to also then bring renewable feedstock into the Central Europe envelope. We are already doing that also with propylene and we see there also opportunity to grow that with renewable propylene for instance. And Alfred mentioned that we are optimizing those three refineries as one integrated system, which is key to the competitiveness also out to 2030.

ReOil®
Question by **Tamas Pletser – Erste Bank**:
Regarding your approach to the business, I understand that you try to do projects where you have a kind of a deep knowledge or expertise in technology like ReOil® . Do I understand this correctly? And on ReOil® , do you see that this project can be achieved in a large scale? You have some signs that this can be working?

Answer by **Alfred Stern**:
Your question was around the ReOil®, how confident are we? Of course, this is something that we are scaling up. But I think the big advantage that we have in OMV is we've been working on this for more than 10 years. And for more than three years, we have a pilot plant that is integrated into the refinery in Schwechat and has been running as part of the operation there. And you can believe me, we didn't start like this three years ago, but with a lot of improvements, a lot of work that the people have done, we are now able to run this 24/7.

And that makes us significantly more confident, we have now also FID-ied. The next stage of development of a ReOil® 2000 plant we call that. We call it a demonstration plant, but it will make 16,000 tons of chemically recycled plastics, and other people call those full-scale plants. We will then use that as an intermediate step to go to a full-scale plant that we want to have by 2026. We are pretty confident that we can make those steps, but we make the intermediate step because in refining and in chemicals, it is kind of normal to have a 10-20 times upscale factor, normally they don't recommend more than this. And this is what we are doing here. Just to make sure it sometimes looks like you could go faster, but in the end, with all the problems, you don't go faster. So, we are trying to stay disciplined and make good steps here.

Bio-based feedstock and fuels

Question by **Raphael Dubois – Societe Generale**:
And on your biopolymers, can you maybe tell us a bit more about the process you want to develop? Is this a proprietary technology or is this something you will do with a partner?

Answer by **Martijn van Koten**:
Yes, so we're very deliberately aiming for propriety technology in where we work with partners. So, we have the proprietary Borstar® Technology for polyolefins which gives us a real competitive edge. On steam crackers and on refining technology, we license in. But on these new areas of circular feedstock, chemicals, fuels, we are looking very much at kind of where we can get a competitive edge with proprietary technology. That's the ReOil® technology on chemical recycling. And the funnel that Alfred described, where he showed kind of the R&D activities on bio feedstocks and different bio processing technologies that we're looking at to see where we can also gain a competitive edge. So, what we'll do is on the renewable feedstock, the bio feedstocks, is we will work with partners and licensing were available, but we also will be specifically looking at feedstock flexibility and try to gain a competitive edge there as well as in processing technologies. In that sense, it's kind of also an innovation effort that we want to have or in refining on that renewable feedstock.

Disposal of filling stations

Question by **Raphael Dubois – Societe Generale**:
Can we have an update on the disposal of the German filling stations, Slovenian filling stations?

Answer by **Elena Skvortsova**:
Happy to cover those two deals that we've signed and are still pending closing. So, the German filling station sale has been somewhat delayed due to the European antitrust authorities pushing the deal back for approval to German antitrust authorities. They have now reviewed the case and require the completion of the disposal of some of the assets prior to closing and that process is going very actively, and the buyer is supported by us, absolutely 100%. And I believe that closing is quite well on the way. They also are very much interested in completing the asset disposal as quickly as possible and closing as quickly as possible. Slovenia is on track. We are obviously in touch with the buyer as well and they've gone through all of the necessary clearing at this stage. We have planned on the closing actually at the beginning of next year. We do hope that we're still going to be able to get it through this year. We're working together with the buyer on this, but nothing further, nothing out of the ordinary on this deal. It's going as planned.

Chemicals & Materials

Sustainable polyolefins

Question by **Sasikanth Chilukuru – Morgan Stanley**:
The first was related to sustainable polyolefins. So can you provide more color on the difference in expected margins between sustainable polyolefins and regular polyolefins. I was just wondering as you ramp up production in sustainable polyolefins, how do you see the margin profile for this segment evolving? You've already highlighted sales of around 100 kt of sustainable polymers. Can you comment on the margins that you've gotten now for these products?

Answer by **Alfred Stern**:
I'll start with sustainable polyolefins. And maybe the best way to start with this is to maybe talk a little bit about what we consider in those products in total, right? So number one, we did not constrain it to the polyolefins only, but sustainable products, which could mean also chemicals like base chemicals or intermediates that are based on some sustainable feedstock. And when we say sustainable, we have maybe three things in mind. We are looking at mechanical recycling, chemical recycling and then renewable feedstock currently on bio basis. A little bit longer out could be on synthetic basis. Now in the 100 kt that we have today, I think we are one of the few, if not the only company where you can actually call up and order both polymers and chemicals that are based on mechanical recycling, on chemical recycling, or on renewable feedstock, and sell those.

The experience is and what we are expecting in the next couple of years is that the demand will go up significantly and supply will be lagging as we go forward, in particular, when it's about higher quality type of products. You can see with all the brand owners, there is a big drive to go into more sustainable packaging, more sustainable type of materials, that they want to use there. And we also see the regulatory framework ramping up. In the EU, they're expecting 55% recycled consumer packaging by 2030.

And this will of course create and stimulate demand that we want to take advantage of, because in our view, we are further ahead of the competition in both technology, in operating those things, but also in the necessary partnerships that we need to do. So, on the current business, we see depending on the quality levels, we see a willingness of customers to pay some premiums if you can make a high-quality material available.

Question by **Raphael Dubois – Societe Generale**:
Then on sustainable polymers, is the goal towards 2030 to be self-sufficient in pyrolysis oil. Will you have enough from ReOil® and Renasci or should we expect you to buy from third-party providers?

Answer by **Alfred Stern**:
What we are looking for there is actually 2 mn t of total products from sustainable sources. And that includes mechanical recycling, chemical recycling, and biobased feedstocks, that we want to use there. We have some idea how this can be split up, but we haven't locked this in completely yet. With our ReOil® and Renasci plants, that we are envisioning at the moment, this would be falling short of where we want to go. So, we will need to find either on the market additional volumes or build additional capacity.

Question by **Raphael Dubois – Societe Generale**:
Can I just ask one follow-up question to Alfred on ReOil® and Renasci. You said that what you contemplate now is not enough for your needs. But would you rather go for organic expansion of those two technologies, or do you think you will have to be reliant on third-party suppliers?

Answer by **Alfred Stern**:
I think both are in principle possible and we will be looking in both areas. At this point, we are really focused on building our own capacity with ramping the ReOil® plant up and with bringing the Renasci plant back on stream and putting this fully in operation.

Circular economy

Question by **Matthew Lofting – JPMorgan**:
On circular economy and the returns proposition, a very essential part of the decarbonization you had outlined for OMV. Can you sort of perhaps disaggregate some of the key return drivers through these projects and share the extent to which you see circular economy as accretive and dilutive within the sort of the average 12% ROACE target.

Answer by **Alfred Stern**:
On circular economy solutions today, we have announced to build a chemical recycling plant here in Austria, which is a demonstration plant and that's an intermediary step in order to come to a full-scale plant by 2026. And that scale is certainly a driver to get to a profitability level that we are targeting. So that's one, to further develop the technology, to develop the right scale. And when I talk about the scale, it's really necessary to adopt that to the different types of technologies that we have there. The second piece of influence that you have is feedstock cost, how do you get access to the right feedstock and what type of feedstock do you need to get to the right profitability level.

And the third piece that I would like to mention in that context is, we believe that we have in OMV here an advantage because of our integrated mechanical, chemical recycling, refining and polyolefin production. And with that integration, we can manage flows of different qualities better than others, which we believe is a profitability driver for us. And the last point that I would want to mention there is of course pricing, that we can see today customers being willing to pay a price premium on the right quality levels and we will of course also explore that.

Borstar®

Question by **Tamas Pletser – Erste Bank**:
My question would be regarding your approach to the business, I understand that you try to do projects where you have a kind of a deep knowledge or expertise in technology like Borstar®. Do I understand this correctly?

Answer by **Alfred Stern**:
On the Borstar® technology, I think there we really have a proven track record over the many years already and we continue to develop that technology. We continue to invest into the technology, we are now on the, let's say, third generation of that Borstar® polyethylene technology and the plant we built in the U.S. is that third generation. A couple of things the plant there will be on a scale much bigger than the average plant. I think it could actually be one of the biggest if not the biggest polyethylene plants in the world. That is one thing that this Borstar® 3G technology enables, but more important for us is the differentiation of the products that we can make on it. We can make products that we can sell into certain applications that have advantages for the customers that they can then reward in the price.

The Borstar® technology, we have so far always identified that we can still extract more value by keeping the technology in house and only using it with joint venture partners, in joint ventures where we are actually one of the partners. So you see that in the Borouge joint venture where all the nine polyolefin plants are based on Borstar® technology. You can see that also in our joint venture with Total in the U.S. where Borstar® was also the choice of technology in order to build that plant.So there we have a really good track record.

Chemical margins

Question by **Mehdi Ennebati – Bank of America**:
On current operations, and especially on chemicals. So, I have some indication that chemical margins are suffering from the current environment. Not for you, but in general. And from what I remember during your last quarterly call, you told us that the higher the chemical price, the higher the discounts to your customers. So, I just would like to understand, if in your chemical price formula, there is a kind of price gap, which doesn't allow you to increase your margin under the current environment, or on the contrary, would you say that, thanks to your unique positioning, with 40% of your business benefiting from kind of a fixed margin. You are kind of doing much better under the current environment. And if you also may tell us about what you expect regarding the European chemical margin from now on to 2025. Because you gave the guidance until 2030, but from now on to 2025, what do you expect?

Answer by **Alfred Stern**:
Maybe just to clarify, the discount comment that you made, this was really around the base chemical part - and not the total chemical pieces, right? So, it was around ethylene and propylene. And there our advantage of course is that we are more or less integrated into that business. The ethylene that we produce, we also put into the polyolefins. As regards to the margins, I think what I can say is that at the beginning of the year, we started actually with quite healthy margins in January and February with some good performance around the indicator margins in polyethylene and polypropylene, higher than we actually may be expected.

I think March will be a little bit more difficult, because of the big volatility in so many different things. And we will have to see how this will end up exactly. I think, by the time we can then announce our first quarter results, we will have a bit of a clearer view how this will work out exactly. But of course, gas prices and increasing utility costs and everything have created some turbulence. What I can also say is that demand is still good and what we also continue to see is still issues with logistics, and therefore, limited imports still into Europe. And there in that sense, in order to supply the demand, the pricing has to follow accordingly.

For the full year, we have now in our assumptions for polyethylene a margin of EUR 400/t and for polypropylene about EUR 600/t. And as we look at that strategy on the way forward, we look at a combined margin for total polyolefins, in 2025 of about EUR 420/t and in 2030 closer to EUR 500/t.

Fertilizer business

Question by **Raphael Dubois – Societe Generale**:
And on Borealis Nitro, I think I read that you would still look for an acquirer of this business. But considering what's happening in Europe, with the gas price and how dependent we are on imports, and that's true as well for nitrogen fertilizers. Could you eventually review your position on this asset and bring it back into a core position?

Answer by **Alfred Stern**:
You read correctly, we stopped the process with EuroChem for the obvious reasons there. But our strategy has not changed. Stopping that process was driven by the sanctions that have been put on the people and the companies. So, the strategy in terms of fertilizer business has not changed. And therefore, we will also keep the fertilizer business as an asset held for sale. And we are just trying to put together a team that is looking, how we will operationalize this through the year.